



RHEOS CAPITAL WORKS

November 8<sup>th</sup>, 2023

Apr. 2023 – Sept. 2023

# 2Q Earnings Presentation

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**Rheos Capital Works Inc. (Securities Code : 7330)**

Selected stocks for the TSE Growth Market 250 Index

Financial Instruments Business Operator - issued by Director-General of Kanto Local Finance Bureau "Kinsho" No. 1151

Member Association : The Investment Trusts Association / Japan Investment Advisers Association

# Agenda

- 1 Company Profile
- 2 FY2023 2Q Financial Highlights
- 3 Current Environment Surrounding Our Business
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RHEOS CAPITAL WORKS

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# Company Profile

# Creating the Flow of Enrichment through Financial Inclusion



Company name Rheos Capital Works Inc. (the “Company”)

Philosophy To have a positive impact on society as a responsible participant of capital markets

Services Investment advisory services on investment trusts

Foundation April 2003

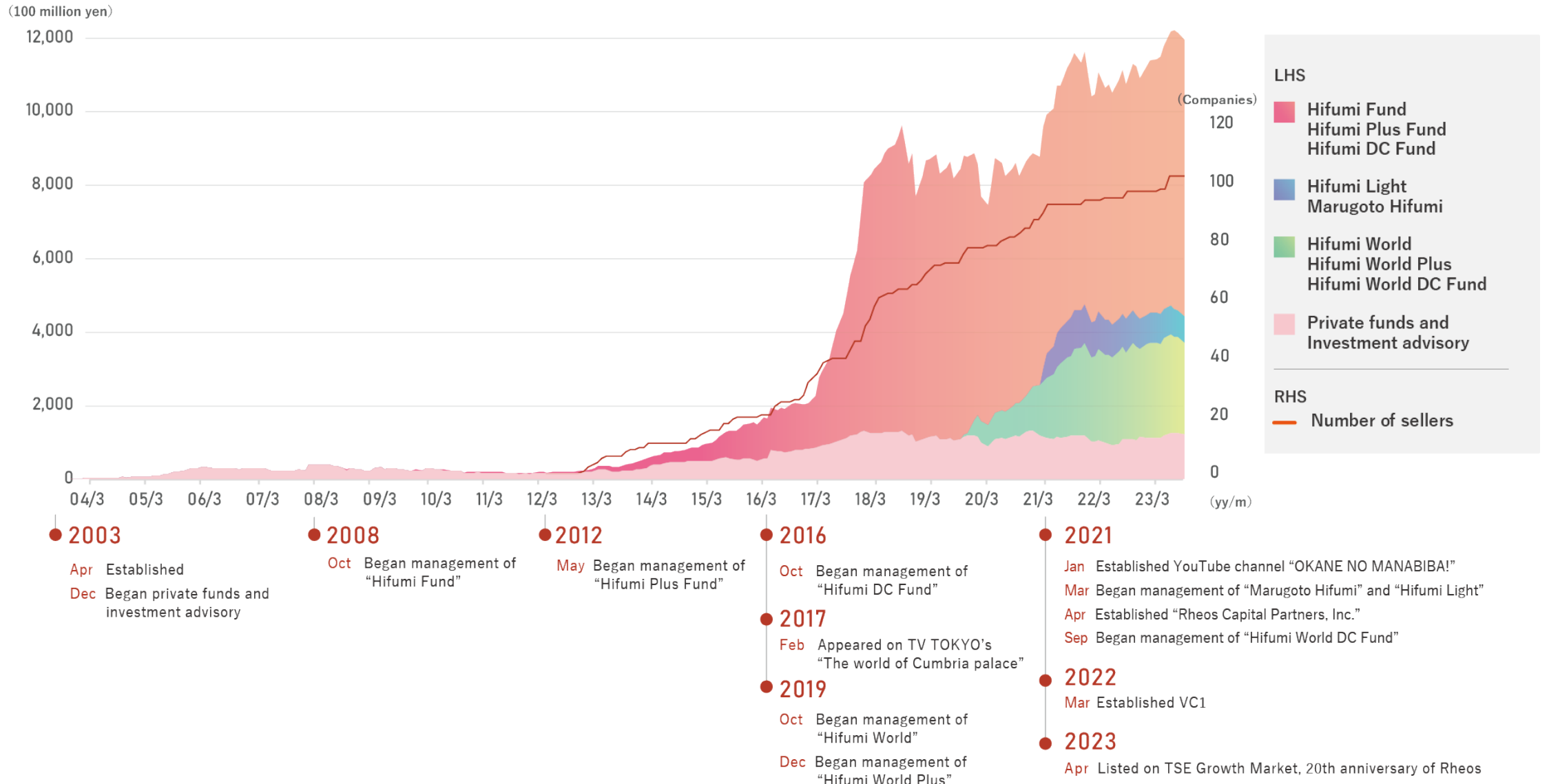
Number of employees 116 (118 on a consolidated basis)  
as of March 31, 2023

## Origin of the company name

“Rheos” means “flow” in ancient Greek.

We named the company with a desire to be a “works” that creates the “flow” of “capital” such as human resources, capital, wisdom, technology, etc.

# History



# Highlights

## Company

Established



2003

Total No. of employees  
(consolidated)



Approx.  
120

Employees



Male 60% | Female 40%

Management at level of  
General Manager or above



Male 77% | Female 23%

Average age



Approx.  
40

## Business

Company-wide AUM



Approx.  
¥1.2 trillion

Annual amount invested  
through accumulated  
investment



Approx.  
¥120.0 billion

Total no. of  
Hifumi beneficiaries



Total of over  
1.00 million

Product composition ratio



Public investment trust 89% | Private 11%

Sales channels



Partner 81% | Direct 19%

## Customers

Ratio of customers  
under 50



75%

Average  
monthly churn rate <sup>2</sup>



Less than  
1%

Ratio of the accounts for  
accumulated investment



65%

## Source of competitiveness

No. of Hifumi sales partners



101

No. of channel subscribers of  
OKANE NO MANABIBA!



23.5K

## Operations

Average number of years of  
operational experience



Approx. 19 years



98%



2%

Domestic shares



70%

Overseas shares



30%



1Year

Operational results since inception  
(annual percentage)

Hifumi +13.1%

Hifumi World +15.7%



R&I Fund Award <sup>1</sup>

5 consecutive years

Prepared by Rheos Capital Works based on information available as of September 30, 2023.

- Please refer to "Notes on using this material" as described hereafter for details regarding the "R&I Fund Award."
- Cancelled account means an account whose balance of the month is zero. Direct accounts only.

## A new asset management company that supports asset building through unique dissemination of information to the working generation

### Investment Trusts Business

We offer investment trusts that invest in domestic and foreign stocks and fixed income through two sales channels of direct sales and indirect sales.

### Investment Advisory Business

We manage domestic corporate pension funds and overseas sovereign wealth funds.

### Other Business

Rheos Capital Partners, Inc., our wholly owned subsidiary, manages funds designed to invest in venture companies, etc.

# Product line-up

## By Sales Channel

By Investment Assets

	Publicly-offered investment trusts (Direct) <sup>1</sup>	Publicly-offered investment trusts (Partner) <sup>2</sup>	Privately-placed investment trusts
Domestic equity		—	<b>Rheos Japan Small-cap Equity Fund</b> (For Private Placement)
Domestic and foreign equity	<b>Hifumi Fund</b> (0.90%)	<b>Hifumi Plus Fund</b> (0.455%) <b>Hifumi DC Fund</b> (0.355%) <b>Marugoto Hifumi 100</b> (0.59%)	—
Foreign equity	<b>Hifumi World</b> (1.46%)	<b>Hifumi World Plus</b> (0.73%) <b>Hifumi World DC Fund</b> (0.49%)	—
Domestic and foreign asset composite (Balanced fund)	<b>Hifumi Light</b> (0.48%)	<b>Marugoto Hifumi 15</b> (0.29%) <b>Marugoto Hifumi 50</b> (0.415%)	<b>Marugoto Hifumi 50</b> (For Qualified Institutional Investors only)

Hifumi DC Fund and Hifumi World DC Fund are investment trusts that can only be invested in a defined contribution plan (iDeCo/Corporate DC).

1. Sales to customers who have opened accounts directly with us
2. Sales through partner banks, securities companies, etc.
3. The figures shown for each product are the trust fee rate (annualized and exclusive of tax) that the Company earns as trustee of the mutual fund. For partners, the agency commission rate paid to the distributing partner is deducted. For products for which the trust fee rate decreases in proportion to net asset value, the maximum rate is shown.



# Our Problem Awareness

## Challenges

- Most Japanese people think “**investment is not necessary for asset building**”, and **the ratio of cash and deposits to the total individual financial assets in Japan remains high.**
- If this trend goes on, **the structure of people’s financial assets may be polarized,** resulting in the widening of financial disparity.

## Solutions

- Grow investment trusts to not just a financial asset, but **a partner of asset building** that our customers will cherish for a long time.
- Deliver knowledge on investment to a wide range of people, and develop and provide **a mechanism for enabling anyone to start asset building in an easy and safe manner.**

**We work on financial inclusion.**

# The World We Aim for through Financial Inclusion

A world in which all people can enjoy the benefits of financial services.

Bring more people to “the center of the next era of prosperity.”

Learn about money, save it with Hifumi,  
and support each other with mutual assistance.

The world we don't aim for



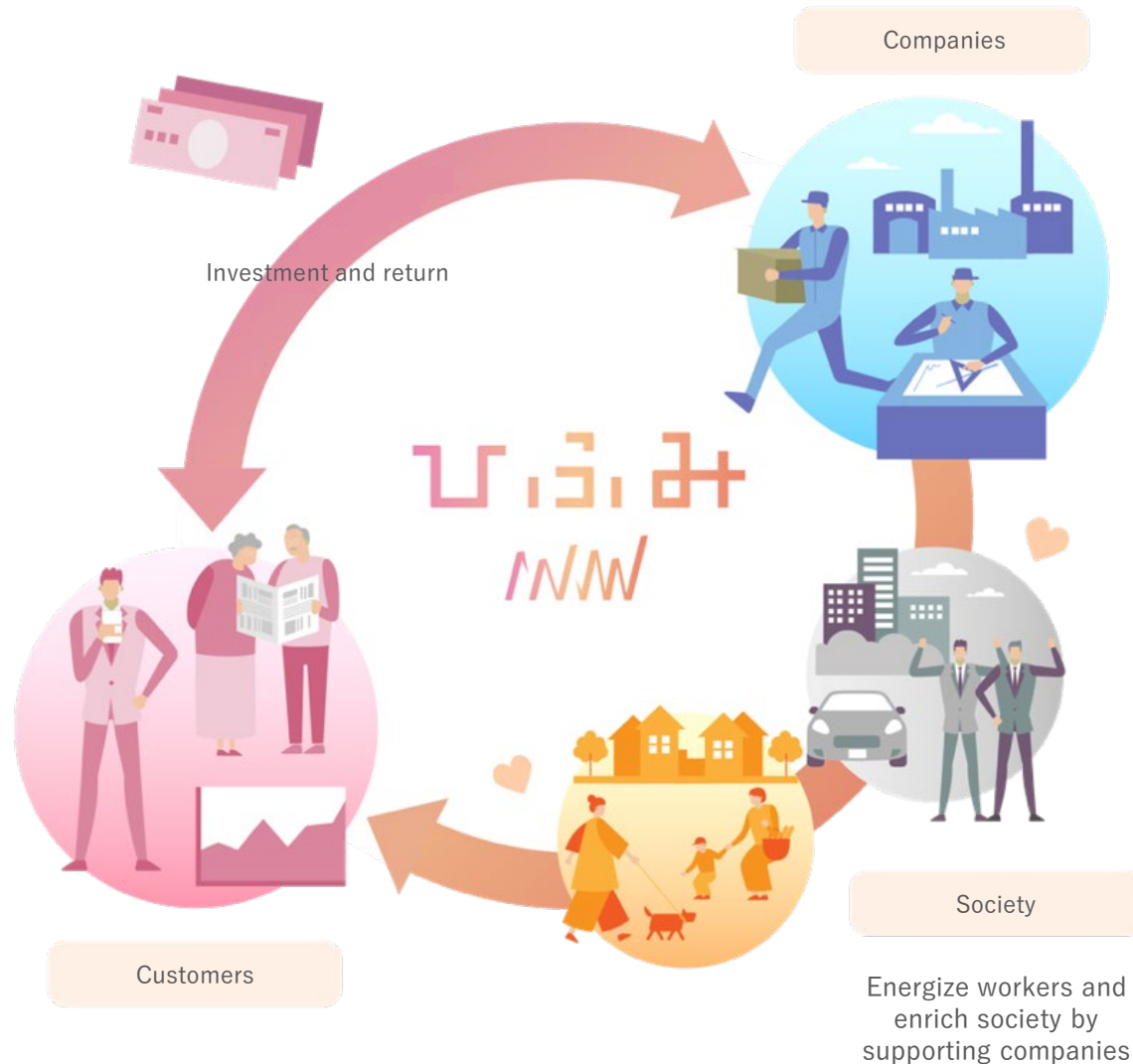
The world we aim for



Pathway to that world

- 1 More people hold Hifumi.
- 2 Learn and implement an effective way to use money.
- 3 Society gets better through investment.

# Powerful Hifumi Brand



To the center  
of the next level  
of prosperity

# Three Key Elements That Support the Hifumi Brand

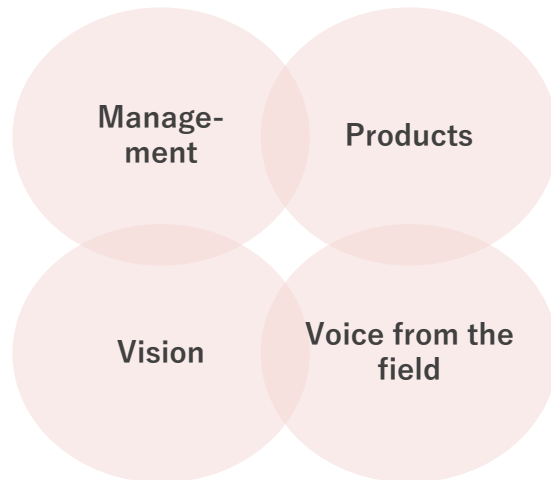
We will continue to enhance the value of the Hifumi brand by concentrating our “Asset management ability”, “Power of influence”, and “Sales force.”



# Investment and Asset Inflow into Growth Companies

- Long-term investment in stocks that we believe are undervalued against long-term future value, regardless of industry or company size.
- Conduct quantitative evaluation based on thorough analysis of financial and stock price indices.
- Analysts actively meet with the management in Japan and abroad to conduct qualitative evaluation of management policies and strategies as well as products and services based on feedback from the field.
- The asset accumulation-type business model with low cancellation rates leads to the medium- to long-term holding of investments.

## Qualitative research focusing on human potential



## Identify growth companies



## Quantitative research focusing on changes in corporate performance



# Educational Activities on Investment on YouTube

- Make a conscious effort to fully understand the needs of customers through a face-to-face asset management, organize seminars and other events in which asset managers would share their ideas in their own words, and make them available via YouTube, Zoom, Spotify, etc.
- Launched a YouTube channel called “A Place to Learn about Money! (OKANE NO MANABIBA!)” in January 2021 to provide fun and easy-to-understand information on money and investment.

Face-to-Face Asset Management

One of the largest number of subscribers in the industry



Number of YouTube subscribers<sup>1</sup>

235K

Total number of YouTube views<sup>1</sup>

56.16 million times

1. Number of YouTube subscribers and total number of views of OKANE NO MANABIBA! (as of Sept. 30, 2023)

# Comparison of Sales Methods

➤ AUM<sup>1</sup> has increased, leveraging the respective strengths of partner and direct sales methods.

	Direct	Partner
<b>AUM<sup>1</sup></b>	¥ <b>206.0</b> billion	¥ <b>867.8</b> billion
<b>Beneficiaries<sup>2</sup></b>	<b>60,859</b>	Total of over <b>1.00</b> million
<b>Others</b>	Kotsukotsu accumulated investment ratio <sup>3</sup> <b>65%</b> Cancellation ratio <sup>4</sup> <b>&lt; 1%</b>	Number of sales partners <sup>5</sup> <b>101</b>

1. Outstanding balance of publicly-offered investment trusts sold directly and indirectly as of Sept. 30, 2023.
2. As of Sept. 30, 2023. For partners, estimated value based on questionnaires to sales companies as of Sept. 30, 2023 (number of beneficiaries who responded to the questionnaire x company-wide AUM / AUM who responded to the questionnaire) is used. Customers who have two or more accounts are counted multiple times.
3. The ratio of the number of the accounts for accumulated investment to the number of all remaining accounts. Direct accounts only as of Sept. 30, 2023.
4. Cancelled account means an account whose balance of the month is zero. Average monthly cancellation ratio from Oct. 2022 to Sept. 2023 (number of cancelled accounts as of the month end / number of accounts remaining as of the end of the previous month).
5. As of Sept. 30, 2023.



RHEOS CAPITAL WORKS

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## **FY2023 2Q Financial Highlights (July 1, 2023 - September 30, 2023)**



# FY2023 2Q Financial Highlights (July 1 2023 - September 30, 2023) - Summary

Balance of assets under management (AUM)

¥ **1,196.3** billion

Change from previous fiscal year-end **+4.5%**

Decline in the net asset value of Hifumi World and other assets in September 2023 led to a slight increase in balance of assets under management.

Operating Revenue

¥ **5,139** million

Year-on-year change **+6.4%**

Operating profit increased due to strong net asset value of investment trusts since April 2023.

Operating Income

**998** million

Year-on-year change **+22.3%**

Operating profit increased due to growth of Selling, general and administrative expenses (SG&A expenses), other than commission expenses, being suppressed.

# Performance (Year-on-Year Change)

(Unit: millions of yen)

	FY2022		FY2023	
	2Q	Full Year	2Q	Year-on-year change
Investment trust management fees	4,719	9,477	5,036	6.7%
Investment advisory fees	108	182	132	21.8%
Gain on operational investment securities <sup>1</sup>	-	-	(29)	-
Operating revenue	4,828	9,660	5,139	6.4%
Operating revenue (net) <sup>2</sup>	2,919	5,815	3,096	6.0%
Selling, general and administrative expenses (excluding commission expenses)	2,103	4,204	2,097	(0.3)%
Operating profit	816	1,610	998	22.3%
Ordinary profit	831	1,625	1,003	20.7%
Profit attributable to owners of parent	539	1,087	709	31.6%
EPS	¥44.88	¥90.50	¥57.27	27.6%
Diluted EPS <sup>3</sup>	-	-	¥57.13	-

The Company has prepared reference values for the second quarter of the fiscal year ended March 31, 2023 as it did not prepare quarterly consolidated financial statements. A quarterly review was not carried out by Crowe Toyo & Co. for these figures.

1.Amount recorded due to an impairment loss on a portfolio company of a VC fund managed by Rheos Capital Partners, and the loss attributable to the Group is approximately ¥4 million.

2.Amount when commission expenses (agency fees payable to sales partners in indirect sales) are deducted from operating revenue.

3.While the Company does have dilutive shares, information regarding diluted EPS in the fiscal year ended March 31, 2023 has not been presented as the average share price during the period could not be determined due to the Company's shares being unlisted in the fiscal year ended March 31, 2023.

# Dividends

## FY2023 Interim Dividends

¥14  
(Estimated)  increased to  
¥18

## Dividend History (per share)

(Unit: yen)

	FY2021	FY2022	FY2023
Interim dividends	-	0.00	18.00
Fiscal year-end dividends	33.00	27.50	-
Total	33.00	27.50	-
Annual dividends (Adjusted)	33.00	27.50	-

The Company has not determined the dividend forecast for the dividends for the fiscal year under review because the forecast of financial results has not been disclosed.

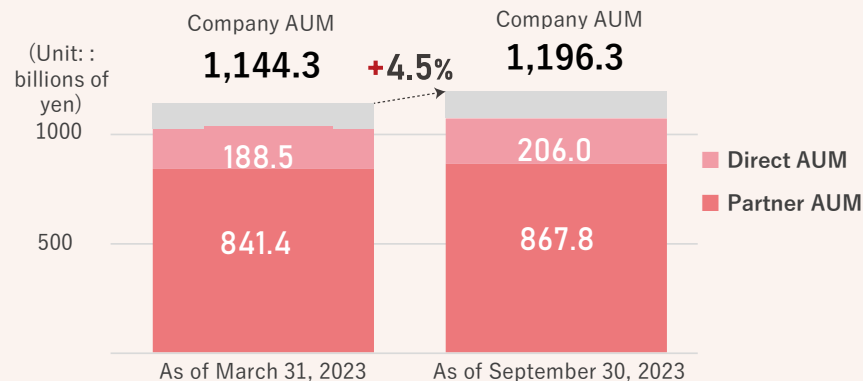
However, the Company plans to pay the dividends from surplus with a target consolidated annual dividend payout ratio of 30% of the net income attributable to owners of the parent.

# Total Assets Under Management (AUM)

Total AUM  
**¥1,196.3 billion**

Change from previous fiscal year-end **+4.5%**

The decline in the NAV of Hifumi World and other assets in September 2023 led to a slight increase in assets under management.



Sales **+¥88.1 billion**

Repurchases **- ¥167.1 billion**

Increase or decrease due to NAV Fluctuation **+¥131.1 billion**

(Unit: billions of yen)

	As of March 31, 2023	As of September 30, 2023				
	AUM	AUM	Change in AUM	Sales	Repurchases	NAV Fluctuation <sup>3</sup>
<b>Investment trusts</b>	<b>1,031.5</b>	<b>1,075.6</b>	<b>4.3%</b>	<b>88.1</b>	<b>(165.6)</b>	<b>121.6</b>
Direct <sup>1</sup>	188.5	206.0	9.3%	13.9	(19.1)	22.6
Partner <sup>2</sup>	841.4	867.8	3.1%	74.1	(146.4)	98.8
Privately-placed investment trusts	1.5	1.6	5.4%	0.0	0.0	0.0
<b>Investment advisory</b>	<b>112.7</b>	<b>120.7</b>	<b>7.1%</b>	<b>0.0</b>	<b>(1.5)</b>	<b>9.4</b>
<b>Company total</b>	<b>1,144.3</b>	<b>1,196.3</b>	<b>4.5%</b>	<b>88.1</b>	<b>(167.1)</b>	<b>131.1</b>

1. Publicly-offered investment trusts that are directly sold to customers who have opened an account at the Company

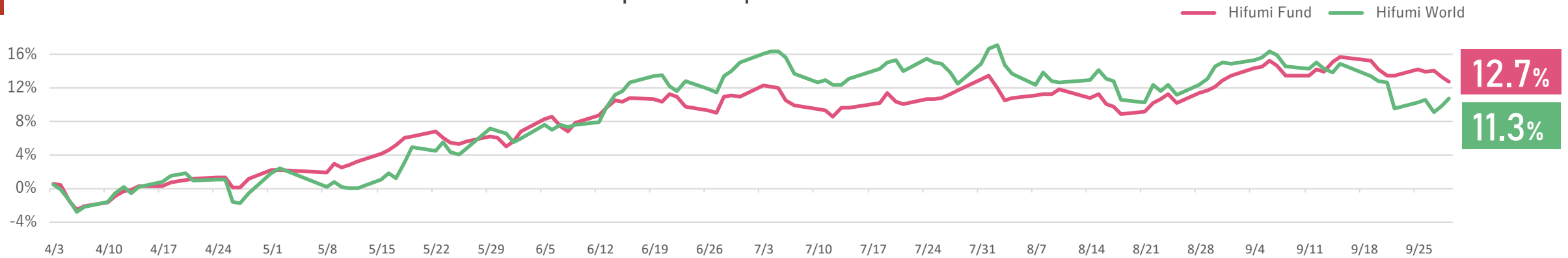
2. Publicly-offered investment trusts that are indirectly sold through the Company's partners, such as banks or securities companies

3. Increase or decrease in AUM due to fluctuations in net asset value (NAV)

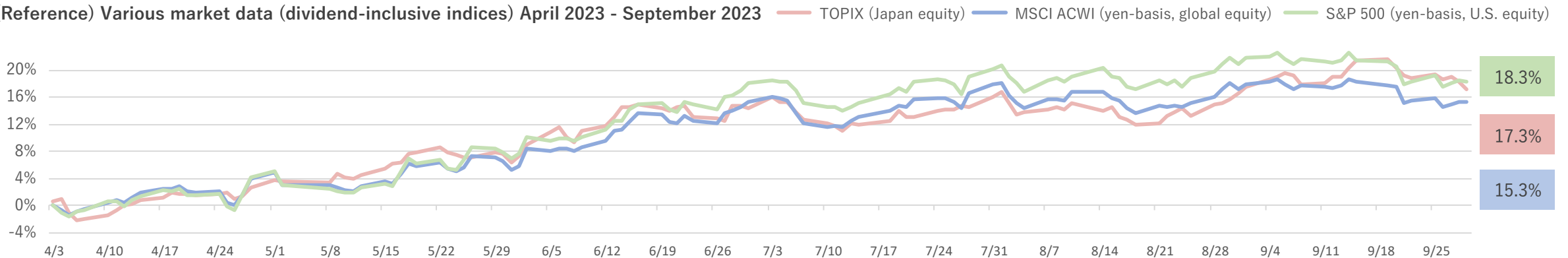
# Trends of net asset value

Net asset value rose with Hifumi Fund increasing by 12.7% and Hifumi World increasing by 11.3% compared to the end of the previous fiscal year due to resurgence of inflation concerns in the United States in September leading to a global stock sell-off, and overseas markets trending strongly after inflation indicators calmed down and review purchases proceeding in the Japanese market caused by overseas momentum because of the expectation that low-PBR will be supported by the TSE, the expectation that the Japanese market will move away from the long-lasting deflation and other factors.

Trends of Net Asset Value of Hifumi Fund and Hifumi World for April 2023 - September 2023



(Reference) Various market data (dividend-inclusive indices) April 2023 - September 2023



\*For explanations of various market data, see the "Notes on using this material" presented later in this material.

# Direct Sales

Direct AUM  
**¥206.0 billion**  
 Year-on-year change **+9.3%**

Although repurchases increased due to selling on rally in association with rising net asset value, an increase was shown in the direct AUM due to the impact of increase in the amount invested through accumulated investment.

Number of Open Accounts  
**60,859** accounts  
 Year-on-year change **-1,543**

Although the Company deepened relationships with many customers, primarily through various online and face-to-face seminars, the repurchase rate increased due to the increase of net asset value for investment trusts, and the number of open accounts decreased from the end of the previous fiscal year; however, the downward trend appears to have bottomed out.

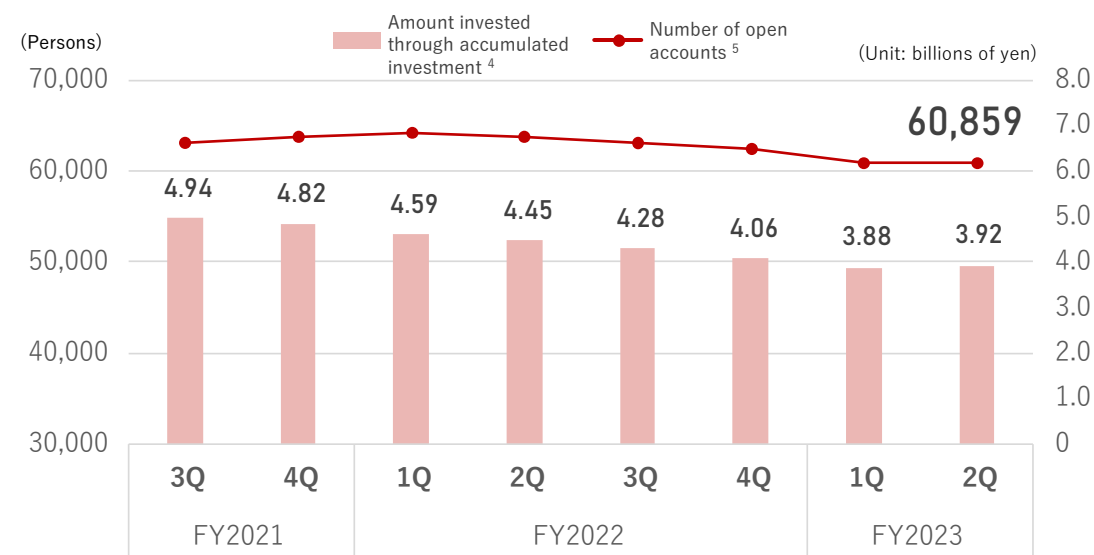
## Direct AUM

(Unit: billions of yen)

	As of March 31, 2023	As of September 30, 2023				
	AUM	AUM	AUM Year-on-year change	Amount invested through accumulated investment <sup>1</sup>	Spot amount <sup>2</sup>	NAV <sup>3</sup>
Hifumi Fund	143.7	157.8	9.8%	5.4	(9.5)	18.1
Hifumi World	41.9	45.5	8.6%	2.2	(3.2)	4.6
Hifumi Light	2.9	2.7	(5.9)%	0.1	(0.1)	(0.1)
<b>Direct Total</b>	<b>188.5</b>	<b>206.0</b>	<b>9.3%</b>	<b>7.7</b>	<b>(12.9)</b>	<b>22.6</b>

1. The amount that customers have actually purchased in investment trusts under contracts for “accumulated investment purchases” offered by the Company.
2. The amount calculated by deducting the amount in 1. above, and the amount of repurchases from the amount of sales, i.e. net inflow/outflow amount excluding the purchases made by accumulated investment.
3. Increase or decrease in AUM due to NAV fluctuation
4. Total amount of 1. above for each quarter.
5. Number of customers holding either “Hifumi Fund,” “Hifumi World,” or “Hifumi Light” at the end of each quarter.

## Trends of amount invested through accumulated investment and number of open accounts



# Partner Sales

Partner AUM

¥867.8 billion

Year-on-year change **+3.1%**

Similar to direct sales, although repurchases increased due to selling on rally in association with rising net asset value for investment trusts, the Company was able to secure a certain amount of sales.

Number of Sales Partners

A total of **264** companies  
Year-on-year change **+7** companies

In light of the introduction of the new NISA system, the Company was able to secure new sales partners to handle the Hifumi Plus Fund.

## Partner AUM

(Unit: billions of yen)

	As of March 31, 2023	As of September 30, 2023				
	AUM	AUM	AUM Year-on-year change	Sales	Repurchases	NAV fluctuation <sup>1</sup>
Hifumi Plus Fund	489.2	526.3	7.6%	40.8	(65.6)	61.8
Hifumi World Plus	216.2	204.8	(5.3)%	19.0	(54.4)	23.9
Hifumi DC Fund	58.3	67.9	16.4%	6.8	(4.8)	7.5
Hifumi World DC Fund	0.4	0.9	114.4%	0.5	(0.1)	0.0
Marugoto Hifumi 15	8.1	7.2	(11.5)%	3.1	(3.8)	(0.1)
Marugoto Hifumi 50	29.0	26.0	(10.3)%	1.4	(5.3)	0.9
Marugoto Hifumi 100	39.9	34.5	(13.5)%	2.2	(12.2)	4.6
<b>Partner total</b>	<b>841.4</b>	<b>867.8</b>	<b>3.1%</b>	<b>74.1</b>	<b>(146.4)</b>	<b>98.8</b>

1. Increase or decrease in AUM due to NAV fluctuation

2. Aggregate of the number of sales partners for each investment trust. For example, if Partner A handles Hifumi Plus Fund, Marugoto Hifumi 50 and Marugoto Hifumi 100, Partner A counts as 3 sales partners.

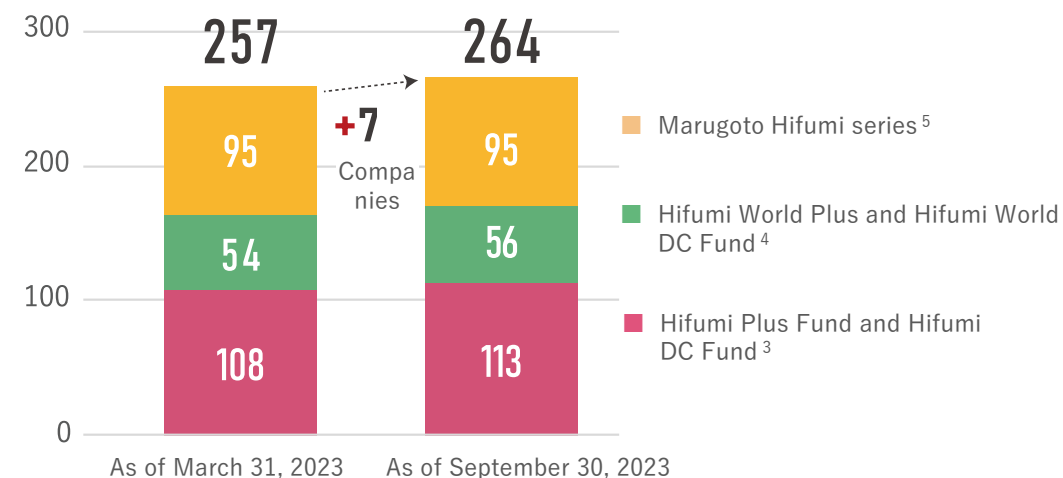
3. Aggregate of the number of sales partners for Hifumi Plus Fund and Hifumi DC Fund

4. Aggregate of the number of sales partners for Hifumi World Plus and Hifumi World DC Fund

5. Aggregate of the number of sales partners for Marugoto Hifumi 15, Marugoto Hifumi 50, and Marugoto Hifumi 100

## Change in number of sales partners<sup>2</sup> offering each product

(Companies)



# Operating Expenses and General & Administrative Expenses

## Investigation expenses

¥367 million

Year-on-year change **+7.9%**

Impact of business expansion and increased US dollar-denominated expenses caused by yen depreciation

## Personnel expenses

¥797 million

Year-on-year change **+10.6%**

Impact of increased personnel because of new hiring in the previous fiscal year

## Advertising expenses

¥107 million

Year-on-year change **-53.2%**

Focused on efficient advertising activities despite increasing the amount of some advertising in light of market conditions

## Depreciation

¥207 million

Year-on-year change **-11.1%**

Expenses of YouTube video production contained year-on-year

(Unit: millions of yen)

	FY2022	FY2023		Overview
	2022/4-2022/9	2023/4-2023/9	Year-on-year change	
Commissions expenses	1,908	2,043	7.0%	Agency fees payable to sales partners in indirect sales
Investigation expenses	340	367	7.9%	Usage fees for customer management systems, investment trust back office systems, market information services and other business systems
Other operating expenses	54	59	10.3%	Promotion expenses, print expenses, etc.
<b>Operating expenses</b>	<b>2,302</b>	<b>2,469</b>	<b>7.2%</b>	
Personnel expenses	721	797	10.6%	Remuneration for directors (and other officers), employees' salaries, etc.
Advertising expenses	229	107	(53.2)%	WEB advertising expenses for new customer acquisition, affiliate expenses, and expenses for YouTube video traffic acquisition
Depreciation	233	207	(11.1)%	Amortization of expenses for YouTube video production capitalized in non-current asset, etc.
Rent expenses on real estate	106	103	(2.6)%	Rent for Head Office, rent for New York Office, etc.
Other general and administrative	418	454	8.6%	Legal welfare expenses, outsourcing expenses, fee expenses, etc.
<b>General and administrative expenses</b>	<b>1,708</b>	<b>1,670</b>	<b>(2.2)%</b>	
<b>Total of operating expenses and general and administrative expenses</b>	<b>4,011</b>	<b>4,140</b>	<b>3.2%</b>	

The Company has prepared reference values for the second quarter of the fiscal year ended March 31, 2023 as it did not prepare quarterly consolidated financial statements. A quarterly review was not carried out by Crowe Toyo & Co. for these figures.



# Consolidated Balance Sheet

Shareholders' Equity

¥6,524 million

Year-on-year change **+14.5%**

Net asset amount  
per share

¥534.21

- Increase in retained earnings from profit attributable to owners of parent
- Equity ratio was 62.6%, and we aim to maintain a robust financial base.

## Consolidated Balance Sheet

	As of March 31, 2023	As of September 30, 2023	Year-on-year change
<b>Assets</b>	<b>8,704</b>	<b>10,423</b>	<b>19.7%</b>
<b>Current assets</b>	<b>7,737</b>	<b>9,229</b>	<b>19.3%</b>
Cash and deposits	2,103	2,980	41.7%
Segregated deposits for customers	1,500	1,800	20.0%
Accrued investment trust management fees	3,725	4,005	7.5%
Operational investment securities	218	238	9.0%
<b>Non-current assets</b>	<b>967</b>	<b>1,193</b>	<b>23.4%</b>
Property, plant and equipment	238	488	105.0%
Intangible assets	381	358	(6.1)%

(Unit: millions of yen)

	As of March 31, 2023	As of September 30, 2023	Year-on-year change
<b>Liabilities</b>	<b>2,610</b>	<b>3,541</b>	<b>35.6%</b>
<b>Current liabilities</b>	<b>2,432</b>	<b>3,352</b>	<b>37.8%</b>
<b>Non-current liabilities</b>	<b>177</b>	<b>188</b>	<b>5.9%</b>
<b>Net assets</b>	<b>6,094</b>	<b>6,882</b>	<b>12.9%</b>
<b>Shareholders' equity</b>	<b>5,700</b>	<b>6,524</b>	<b>14.5%</b>
Share capital	100	322	222.3%
Capital surplus	407	629	54.6%
Retained earnings	5,193	5,572	7.3%
<b>Non-controlling interests</b>	<b>393</b>	<b>357</b>	<b>(9.1)%</b>

# (Reference) Quarterly Status

(Unit: millions of yen)

Quarterly Business Performance	FY2022				FY2023	
	1Q	2Q	3Q	4Q	1Q	2Q
Investment trust management fees	2,322	2,396	2,403	2,354	2,487	2,548
Investment advisory fees	52	56	10	62	63	68
Gain on operational investment securities	-	-	-	-	-	(29)
Operating revenue	2,375	2,452	2,414	2,417	2,551	2,587
Operating revenue (net)	1,437	1,482	1,438	1,457	1,538	1,557
Selling, general and administrative expenses (excluding agency fees)	1,035	1,068	1,073	1,027	1,054	1,043
Operating profit	402	414	364	429	483	514
Ordinary profit	412	419	364	429	482	520
Profit	262	265	230	306	327	346
Profit attributable to owners of parent	264	274	236	312	332	377

(Unit: millions of yen)

AUM	FY2022				FY2023	
	1Q-end	2Q-end	3Q-end	4Q-end	1Q-end	2Q-end
Investment trusts	9,623	9,652	9,751	10,315	10,957	10,756
Direct	1,766	1,766	1,790	1,885	2,059	2,060
Partner	7,810	7,836	7,944	8,414	8,881	8,678
Privately-placed investment trusts	46	48	16	15	17	16
Investment advisory	877	1,050	1,073	1,127	1,234	1,207
Company total	10,501	10,702	10,824	11,443	12,192	11,963

The Company has prepared reference values for the first and second quarters of the fiscal year ended March 31, 2023 as it did not prepare quarterly consolidated financial statements.

An audit and quarterly review were not carried out by Crowe Toyo & Co. for these figures or AUM.



RHEOS CAPITAL WORKS

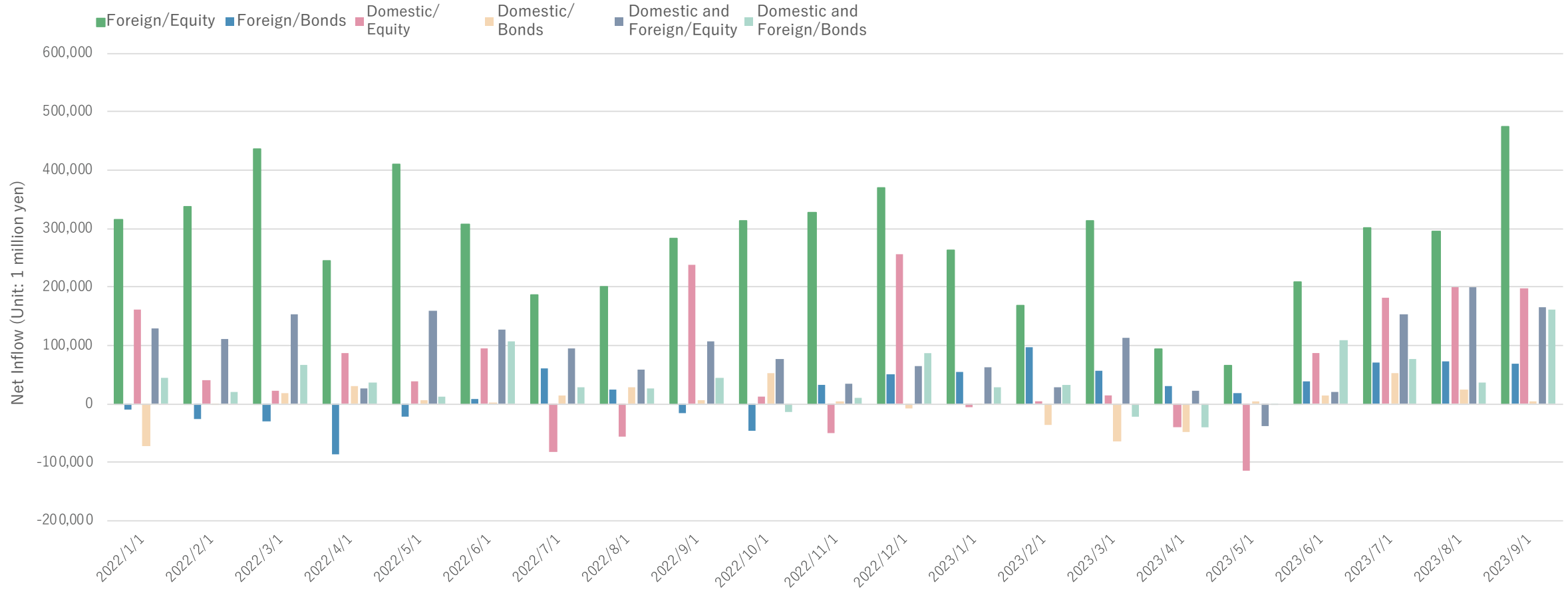
# 3

## Current Environment Surrounding Our Business

# Trends in Investment Trust Industry

While the funds are concentrated in equity-type assets, these funds are particularly concentrated overseas

## [Trends in Changes in Fund Category-wise Net Inflow]



Source: Compiled in-house based on data from The Investment Trusts Association, Japan

Compilation: Publicly-offered investment trusts (excluding ETFs)

\*Net inflow values are estimated using net assets and NAV.

# Trends in Investment Trust Industry

## Performance of five international stocks ranked among the top-selling funds

### Top 10 Best-selling Funds (as of September 30, 2023)

Ranking	Fund	Asset management	Fund category	Net inflow (Unit: billions of yen) (Sales - Repurchases)	Total net assets (Unit: billions of yen)
1	Fund a	Company F	Domestic and foreign bonds	82.3	82.3
2	<b>Fund b</b>	<b>Company M</b>	<b>Foreign stocks</b>	<b>79.9</b>	<b>2,608.5</b>
3	Fund c	Company M	Domestic and foreign stocks	76.4	1,467.7
4	Fund d	Company D	Domestic and foreign stocks	76.3	850.0
5	<b>Fund e</b>	<b>Company K</b>	<b>Foreign stocks</b>	<b>39.6</b>	<b>2,012.0</b>
6	Fund f	Company A	Domestic and foreign bonds	36.2	36.3
7	<b>Fund g</b>	<b>Company L</b>	<b>Foreign stocks</b>	<b>26.0</b>	<b>1,099.1</b>
8	<b>Fund h</b>	<b>Company K</b>	<b>Foreign stocks</b>	<b>25.7</b>	<b>175.4</b>
9	Fund i	Company K	Foreign bonds	22.3	104.9
10	<b>Fund j</b>	<b>Company J</b>	<b>Foreign stocks</b>	<b>21.3</b>	<b>1,092.3</b>

Source: Compiled in-house based on data from The Investment Trusts Association, Japan

Compilation: Publicly-offered investment trusts (excluding ETFs)

\*Net inflow values are estimated using net assets and NAV.

### Bottom 10 Best-selling Funds (as of September 30, 2023)

Ranking	Fund	Asset management	Fund category	Net inflow (Unit: billions of yen) (Sales - Repurchases)	Total net assets (Unit: billions of yen)
1	Fund a	Company P	Domestic and foreign asset composite	-19.9	141.0
2	Fund b	Company D	Domestic and foreign stocks	-15.4	921.3
3	Fund c	Company O	Domestic and foreign bonds	-15.3	73.3
4	Fund d	Company O	Domestic and foreign asset composite	-15.0	36.4
5	Fund e	Company L	Domestic and foreign stocks	-13.3	19.3
6	<b>Fund f</b>	<b>Company F</b>	<b>Foreign stocks</b>	<b>-12.6</b>	<b>332.6</b>
7	<b>Fund g</b>	<b>Company P</b>	<b>Domestic equity</b>	<b>-10.6</b>	<b>43.3</b>
8	Fund h	Company P	Domestic and foreign asset composite	-9.3	451.0
9	Fund i	Company G	Domestic real estate investment trust	-9.0	68.0
10	Fund j	Company Q	Other domestic and foreign assets	-8.4	55.3

# Current Position of the Company



## AUM Ranking

**22** out of 80 companies

Month-over-month **- 1**

## Market Share Ratio <sup>1</sup>

**1.06%**

Month-over-month **- 0.01 pt**

1. Hifumi's market share of publicly-offered investment trusts (excluding ETFs) in Japan



## AUM Ranking

**21** out of 5,498

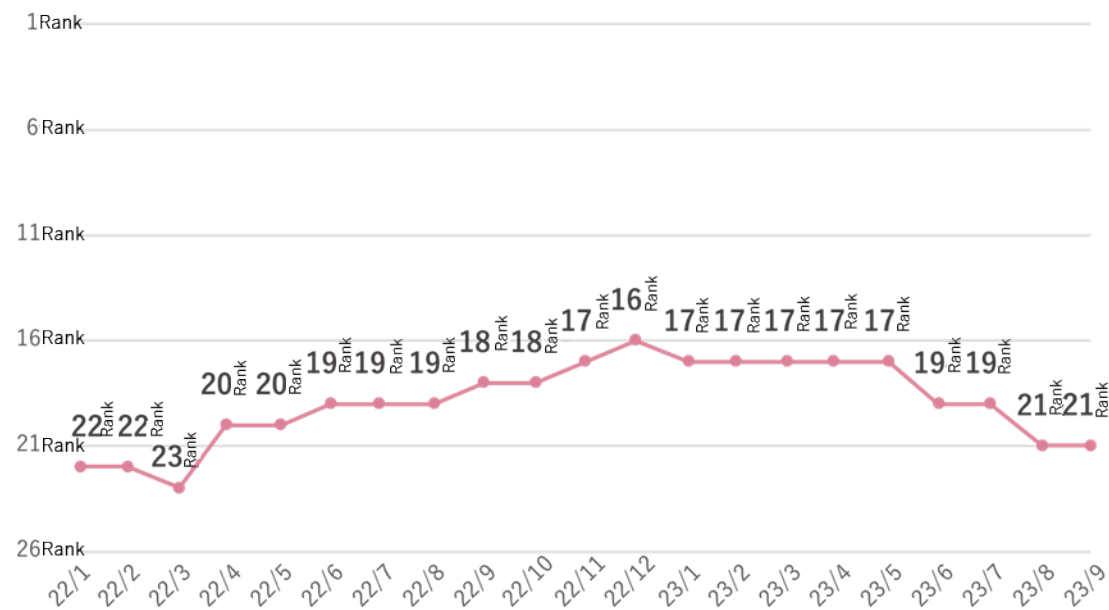
Month-over-month **-**

## Rankings of Total Net Assets by Company (as of September 30, 2023)

Month-over-month	Ranking	Company name	Total assets (Unit: billions of yen)	Month-over-month	Ranking	Company name	Total assets (Unit: billions of yen)
→	1	Nomura	50,342.3	↑	1	SBI Okasan	1,075.4
→	2	Daiwa	24,364.9	↓	-1	Rheos	1,073.9
→	3	Nikko	23,804.8	→	23	Norinchukin Zenkyoren	901.3
→	4	Mitsubishi UFJ Kokusai	21,391.1	→	24	JP Morgan	723.5
→	5	AM-One	12,379.4	→	25	Saison Asset Management	670.9
→	6	Sumitomo Mitsui DS Asset Management	7,646.0	→	26	Amundi	634.6
→	7	Sumitomo Mitsui TA	6,530.0	→	27	Shinkin AM	531.5
→	8	BRJ	4,384.4	→	28	HSBC	483.2
→	9	Fidelity	4,100.5	→	29	Meiji Yasuda	452.8
→	10	Alliance	3,484.5	↑	2	Eastspring Investments	446.7
→	11	Nippon Life Insurance Company	3,033.4	↓	-1	SOMPO	426.6
→	12	Goldman	2,294.8	↓	-1	SPARX	409.1
→	13	Pictet Group	2,098.2	→	33	Sawakami	382.9
→	14	SBI Asset	1,912.7	→	34	Ichiyoshi AM	369.4
→	15	Rakuten	1,839.1	→	35	Aozora Investment Management	368.1
→	16	Tokio Marine	1,397.3	→	36	Franklin	336.9
→	17	Capital	1,363.2	→	37	JP Asset Management	329.9
→	18	Invesco	1,286.9	→	38	Manulife	313.6
→	1	19 Resona AM	1,161.2	→	39	UBS	306.6
→	-1	20 T Rowe Price	1,155.6	→	40	Simplex	265.7

Source: "Changes in Assets of Publicly Offered Investment Trusts of Contractual Type by each investment trust company (actual amount)," published by The Investment Trusts Association, Japan

## Trends of Total Net Assets Ranking of Hifumi Plus



Source: Compiled in-house based on data from The Investment Trusts Association, Japan

Compilation: Publicly-offered investment trusts (excluding ETFs)



# High Anticipation for Active Investment Trusts with Promising Signs for Japanese Stock Market



## TSE Reforms

Made request for improvements to low PBR companies. The companies who made improvements moved to increase shareholder returns



Anticipation around active investment trusts that research and identify companies that can be expected to perform well

## Other Positive News for Japanese equities



### Rejuvenation of management

Succession of changes in presidents in large companies, leading to transformation of the governance structure in the company.



### Monetary Easing

It may also encourage the inflow to Japanese stocks. Newly constituted BOJ expected to continue monetary easing



### Inbound

Number of foreign visitors to Japan is rapidly recovering. Number of Chinese tourist numbers still have room for recovery



### NISA Expansion

Expansion of the investment quota and making the period permanent.



### Foreign Investors

Mr. Warren Buffett's visit to Japan and his remarks will draw attention to Japanese stocks. Glimpse of big buying spree by foreign investors



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# 4

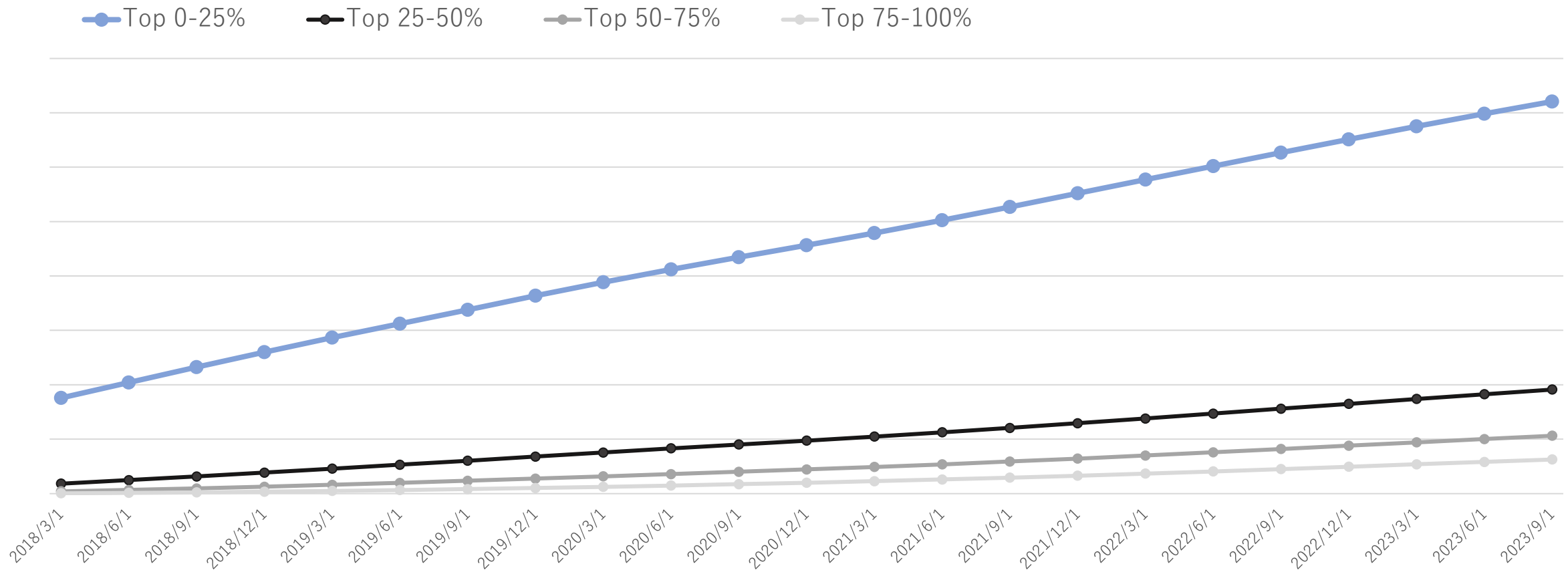
## Our Initiatives and Long-term Vision



# Stable Client Base

The regular investments of existing customers in the top 25% of LTVs contribute to the stability of our revenue structure

Subsequent LTV Trends by LTV Category Based on Results as of March 31, 2018



# KGIs and KPIs

By assuming the number of open accounts as the KGI, the KPIs for achieving the KGI are as (1) through (4) below.

Number of the accounts for accumulated investment = Number of all remaining accounts × Accumulated investment rate

Number of all remaining accounts = (1) Number of new accounts × (2) New deposits rate + Number of existing accounts × ((3) Existing deposits rate - (4) Complete cancellation rate)

The key is to increase satisfaction and impact on LTVs

Reduction of  
repurchase  
rate

Increase in the  
average holding  
period

Increase  
of LTVs

Increase customer satisfaction and LTV to  
strengthen the stable client base

Marginal CPA  
can be  
increased

More people can be  
approached

New acquisition measures can be made  
cost-effective

# Initiatives by Hifumi Sales Department to Increase Customer Satisfaction

## Measures to Increase Retention (Increase LTV)

### ■ Hifumi Annual Meeting

Annual Investment Report. An event that tells you about “the current performance of Hifumi” according to the theme of the year.

### ■ Hifumi Academy

Monthly Investment Report. It provides customers with new discoveries through investment reports.

### ■ Hifumi’s Social Studies Field Trip

An event in which customers can experience how the money they invest is returned to the society.

### ■ Hifumi Mokuromi Club

We work with our customers to create a world that is 10 years into the future.

### ■ Seminars with Get-togethers

No theme specified. In-person seminars that brightens our customers' lives. We also hold get-togethers to increase the proximity to customers.

### ■ Hifumi's Small Banquets (Direct Sales-only Events)

Meet the real faces and quintessence of Hifumi. Build trust with clients by not only presenting the faces of investment team members, but get to know them.

## Measures to Expand (TAM Expansion)

### ■ NISA Seminar

This seminar is designed to answer questions such as "what is NISA after all?", "what should I do?".

### ■ Seminar for Beginning Investors

This seminar is designed to help customers who are new to investment and are not sure about the direction.

### ■ Product Explanation Seminar (name to be determined)

A seminar to deepen our customers' understanding of Hifumi Series products and to address any concerns they may have.

### ■ WEB Advertising & Affiliates

It conveys the joy of investing face to face.



Held in Hokkaido and Fukuoka



Held in Osaka and Hiroshima



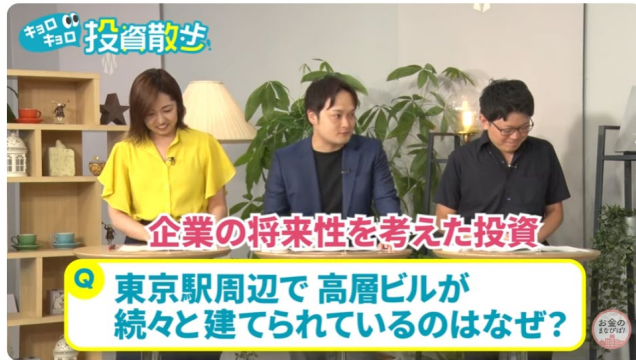
Held in Kyoto

We have resumed holding events and seminars in local cities.

We are increasing the number of in-person events to directly listen to our customers' concerns and questions, and to convey the joy of investment and the ideas of Rheos members. We are aiming to increase customer satisfaction by closely accompanying their asset formation.

The exclusive get-together “Hifumi’s Small Banquet” is a highly satisfying initiative for our customers, despite being a paid event. We believe that increasing the appeal of direct sales will also contribute to account openings. Through these measures, we expect to lower CPA.

# YouTube channel called “A Place to Learn about Money! (OKANE NO MANABIBA!)” aimed towards contributing to LTVs and TAM



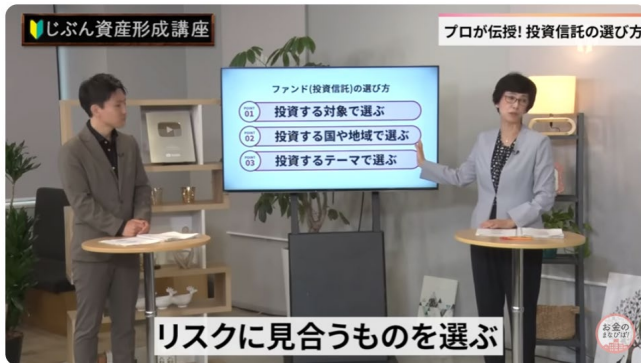
Kyorokyoro Toshi Sanpo  
(A Leisurely Investment Stroll)



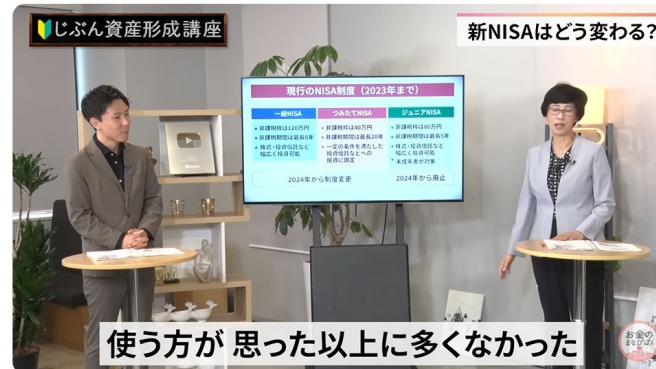
Soko ni Aru Mono, Mienai Shigoto  
(Behind The Scenes)

## Content that increases LTV

We create a content that shows the other side of corporate research, which can only be conveyed because the Company has active funds, and the personalities of our analysts and fund managers, which only our company, which manages funds with real faces, can provide.



Hajimete no Jibun - Asset Formation Lecture



## Content Aimed Towards TAM Expansion

We create content that is not limited to our products, but also provides a fun and easy-to-understand way to learn about asset formation.

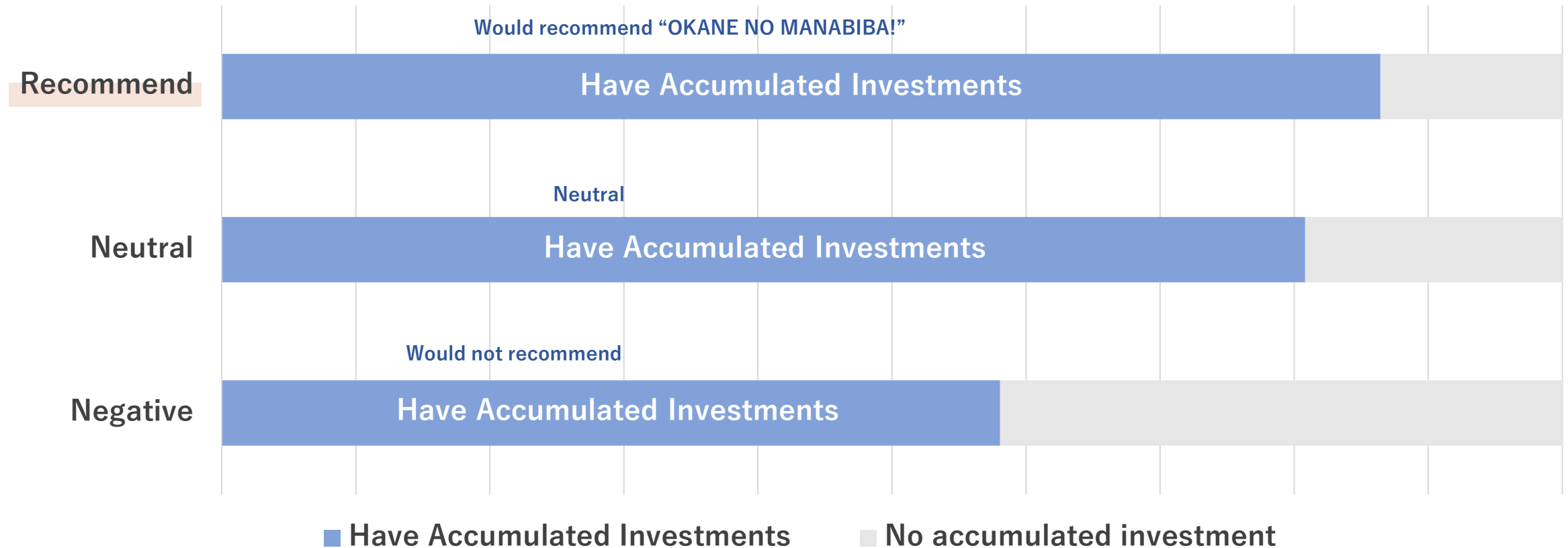
It stars comedy duo Saraba Seishun no Hikari and members of the Company

“Hajimete no Jibun - Asset Formation” lecture  
has more than 8 million views\*.

\*As of October 31, 2023

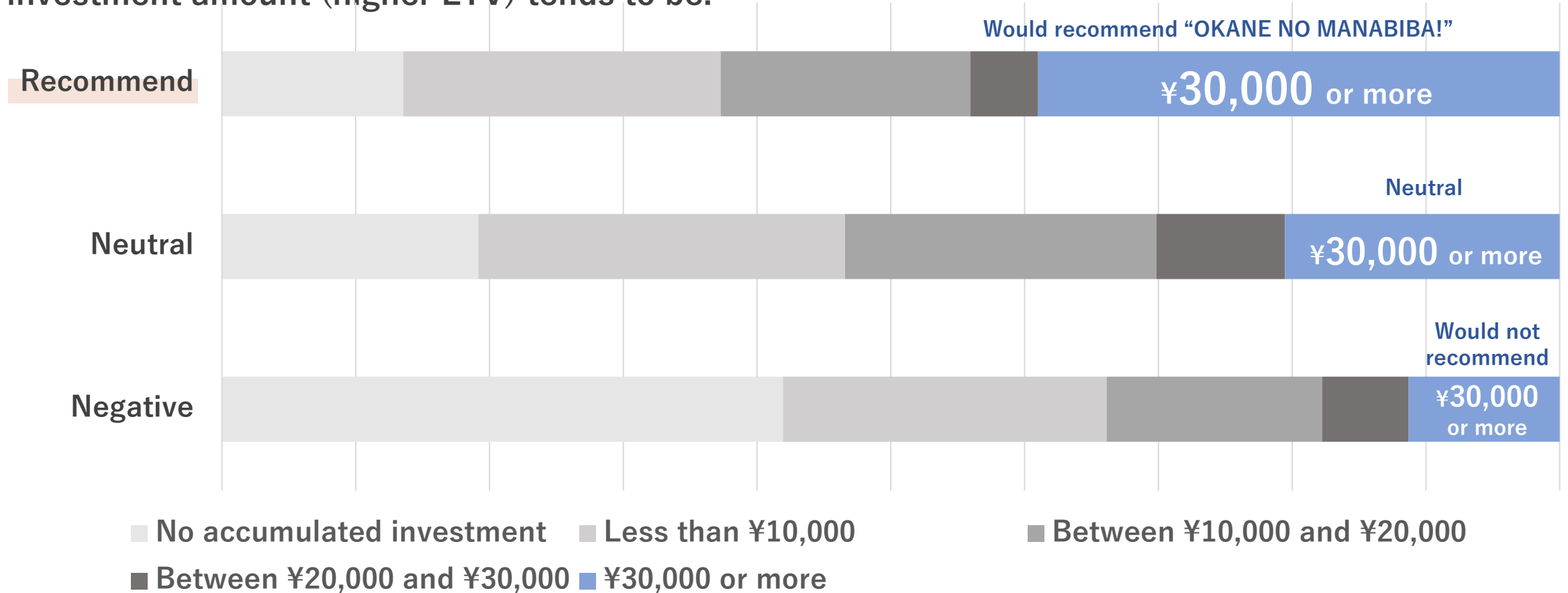
# Viewers More Likely to Recommend “OKANE NO MANABIBA!” Tend to “Have Accumulated Investments”

Viewers who are more likely to recommend “OKANE NO MANABIBA!” are more likely to “Have Accumulated Investments”.



The group more likely to recommend “OKANE NO MANABIBA!” have higher accumulated investment amounts.

The higher the intention to recommend “OKANE NO MANABIBA!,” the higher the accumulated investment amount (higher LTV) tends to be.



# Horizontal Expansion of Best Practices of Various Departments

## Marketing Department

- **Management of Owned Media**  
"Hifumi Lab" and "Hifumi Lab Note"
- **Video Content Creation**  
YouTube channel called "A Place to Learn about Money! (OKANE NO MANABIBA!)"
- **Communication/Information Sharing via Social Media**  
Facebook /X/ TikTok
- **Hifumi Product Website Management**
- **Production of Offline Ads**
- **Branding Event Planning and Management**  
Hifumi Forum

## Hifumi Sales Department

- **Planning and Management of Events and Seminars**  
Hifumi Annual Meeting  
Hifumi Academy  
Hifumi Mokuromi Club  
Hifumi's Social Studies Field Trip  
Hifumi's Small Banquet  
NISA Seminar, etc.
- **Information Communication via Email**
- **Information Communication via LINE**
- **WEB Advertisements**
- **Direct Sales-only App Operation**

## Rheos Sales Department

- **Training for Bank Employees**
- **Seminar Planning for Partners' Clients**
- **Preparing Seminar Materials**
- **Support for Attracting Seminar Participants**  
Creating flyers, banners, etc.
- **Providing Content**  
Creating special websites and banners, etc.
- **Communicating Information on Our Events and Announcement using PDFs**
- **Intranet Postings**

The Marketing Department, Hifumi Sales Department, Rheos Sales Department, Public Relations, and Communication Center hold weekly meetings to share case studies and data, discuss when to transmit, and share client opinions and feedback, which are used for various measures.

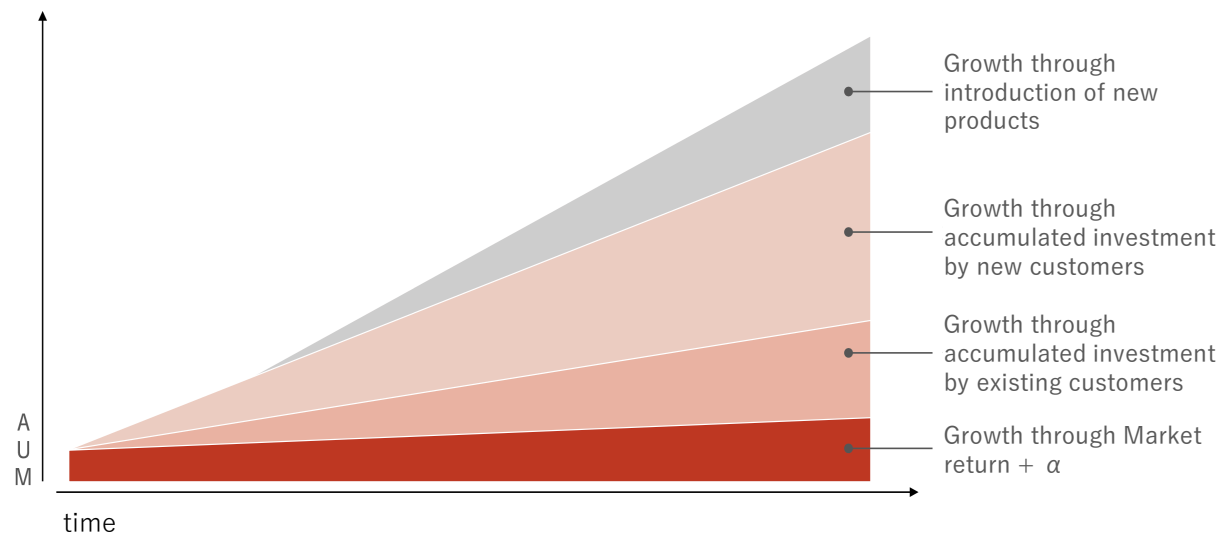


## SBI Rheos Hifumi

- Create Japan's Leading Asset Building Infrastructure
- Accelerate financial inclusion with your peers

### Strengthen Existing Businesses Centered around Hifumi

Stable growth centered on regular investments and new product launches



### Expand Customer Base and Value Offerings through M&A

Accelerate growth with companies that support asset-formation infrastructure

#### Investment Trust Advisory Business

Investment  
trust  
management

Investment  
advisory

#### Related businesses

FinTech

Banking and  
Securities

Consulting



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# 5

## References

# Recent Topics Doubling Asset-based Income Plan ~ Fundamental expansion of New NISA<sup>1</sup>~

- The current Kishida administration, which advocates "New Form of Capitalism," announced the "Doubling Asset-based Income Plan<sup>1</sup>" designed to channel more than 1,000 trillion yen of household assets held in cash and deposits to investment, thereby creating a virtuous cycle in which households benefit from sustainable growth in corporate value. The introduction of new NISA from 2024 was announced in December 2022 as part of the Outline of the Tax Reform for FY2023<sup>2</sup>.
- The new NISA system will be made permanent and the maximum investment amount will be significantly increased to 18 million yen over a lifetime. The convenience of the new system and the increase in the investment amount are expected to expand investor base and stimulate more investment.

	Current NISA		New NISA	
	Tsumitate NISA	General NISA	Accumulated investment limit	Growth investment limit
Investment period	Up to 20 years	Up to 5 years	<b>Indefinite</b>	
Tax-exempt holding period	20 years	5 years	<b>Indefinite</b>	
Choice of system	Cannot choose both.		<b>Can choose both.</b>	
Maximum investment amount	¥8 million	¥6 million	<b>¥18 million</b>	¥12 million (included in ¥18 million).
Maximum annual investment limit	¥400,000	¥1.2 million	<b>¥1.2 million</b>	<b>¥2.4 million</b>

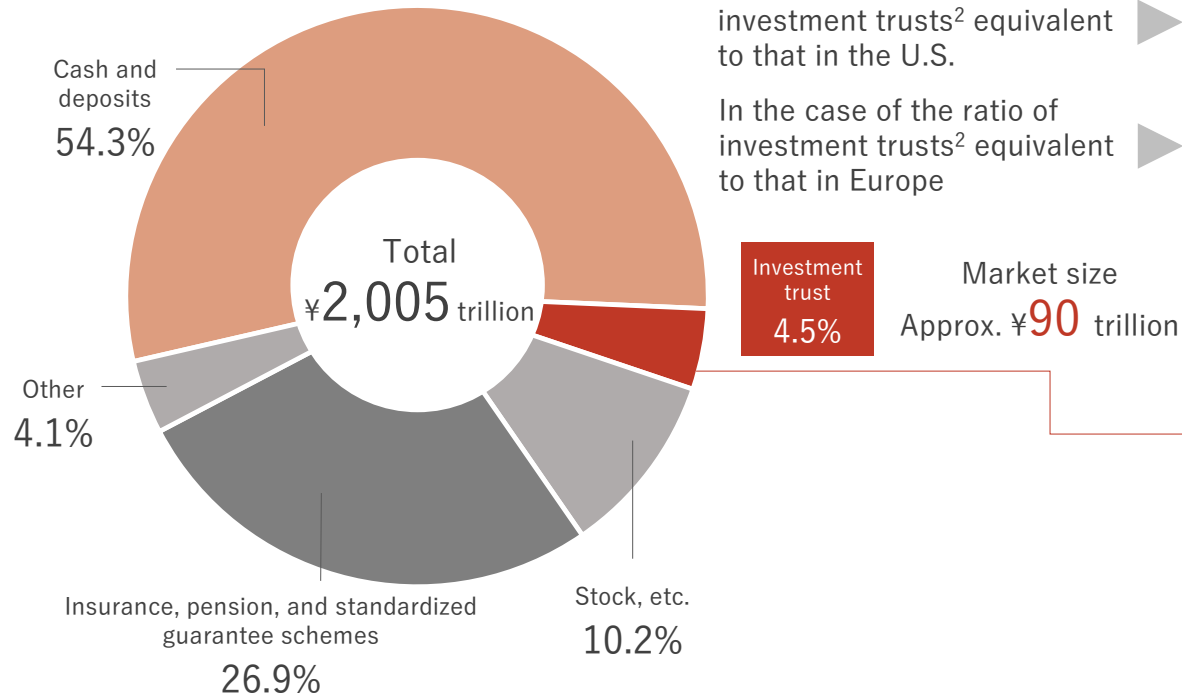
1. Cabinet Secretariat, the New Form of Capitalism Realization Headquarters /the Council of New Form of Capitalism Realization, Subcommittee Meetings, the 3rd Doubling Asset-based Income Subcommittee Meeting Handout (November 25, 2022)

2. Ministry of Finance, the Outline of the Tax Reform for FY2023 (Cabinet Decision on December 23, 2022)

# Upside Potential of the Investment Trust Market

Investment trusts account for a lower share of Japan's household financial assets than in the U.S. and Europe, and market expansion is the upside going forward

■ Breakdown of Household Financial Assets in Japan <sup>1</sup>



■ Comparison of Japan, Europe, and the U.S. in the share of household financial assets held in investment trusts

Market size of investment trusts<sup>3</sup>

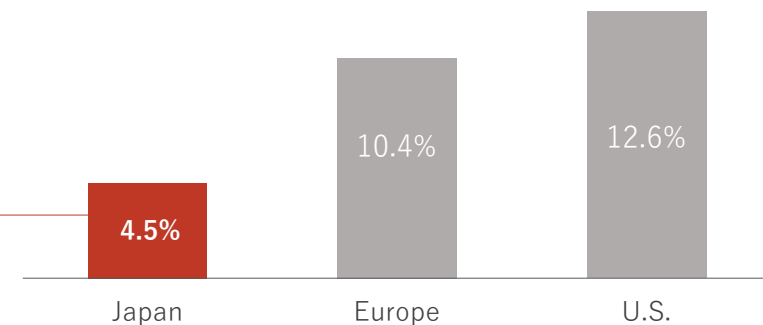
In the case of the ratio of investment trusts<sup>2</sup> equivalent to that in the U.S.

Approx. ¥252 trillion

In the case of the ratio of investment trusts<sup>2</sup> equivalent to that in Europe

Approx. ¥208 trillion

Market size  
Approx. ¥90 trillion



1. "Flow of Funds," Bank of Japan (as of March 31, 2022)

2. "Flow of Funds—Overview of Japan, the United States, and the Euro area," Bank of Japan (as of March 31, 2022)

3. Calculated based on the market size of Japan's investment trusts as of March 31, 2022 if the ratio of investment trusts in Japan expanded to the same as in Europe or in the U.S. as of March 31, 2022 respectively

# TAM Expansion through New NISA

Expected room for TAM<sup>1</sup> expansion when the working generation makes accumulated investment of ¥1,200,000<sup>2</sup> per year (upper limit of Tsumitate NISA).

	Labor force population <sup>3</sup>	Annual maximum purchase amount <sup>2</sup>	Annual invested amount
15-24 years old	5.83million	¥1,200,000 Full amount of Tsumitate NISA	Approx. ¥6.9trillion
25-34 years old	11.40million		Approx. ¥13.6trillion
35-44 years old	13.54million		Approx. ¥16.2trillion
45-54 years old	16.50million		Approx. ¥19.8trillion



Total annual investment amount when working generation invest the maximum amount of Tsumitate NISA in it

Approx. ¥57trillion

×

15years

↓

Approx. ¥855trillion

Expected room for TAM expansion through increase in the annual limit for tax exempt investment

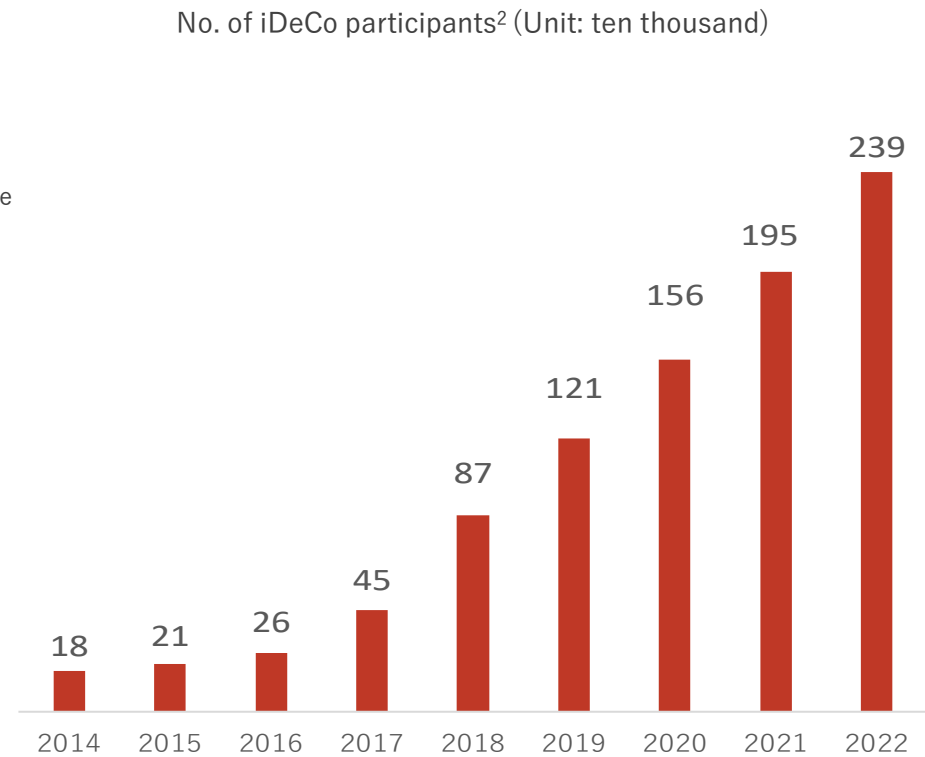
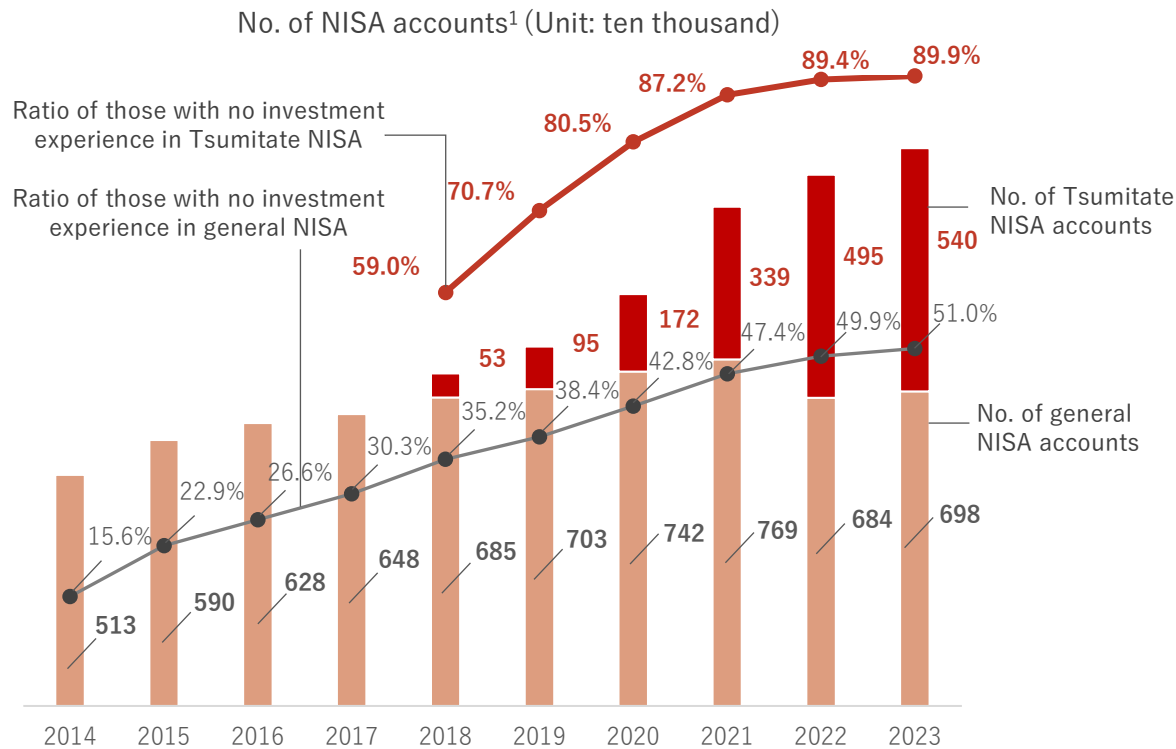
1. The size of the total addressable market (TAM) represents the maximum potential size of the market for regular contribution investments as assumed by us, and was not calculated as an objective estimate of the market size for our business as of March 2023. The size of the TAM is our estimate based on certain assumptions as well as on external statistics and information from publicly available materials. The accuracy of our estimate is subject to inherent limitations in estimating statistical and other data, and therefore the actual size of the market may differ from our estimate. In particular, the estimate provided on this slide is based on certain assumptions, including: that the working generation will invest 1.2 million yen per person annually under the new Tsumitate NISA over the 15 years starting from 2024, when the yearly investment limit under the tax-exempt investment program will be raised to that amount; and that the total NISA investment—including amounts invested under Growth NISA—by the working generation will remain below the lifetime tax-exempt investment limit of 18 million yen per person (excluding investments made under the current Tsumitate NISA).

2. Premised on the implementation of the changes to the NISA program, effective from 2024, as set out in the government's FY2023 Tax Reform announced in December 2022.

3. Source: "Trends in Employment Status 1: Labor Force (2021 Average)," Statistics Bureau of Japan, Ministry of Internal Affairs and Communications.

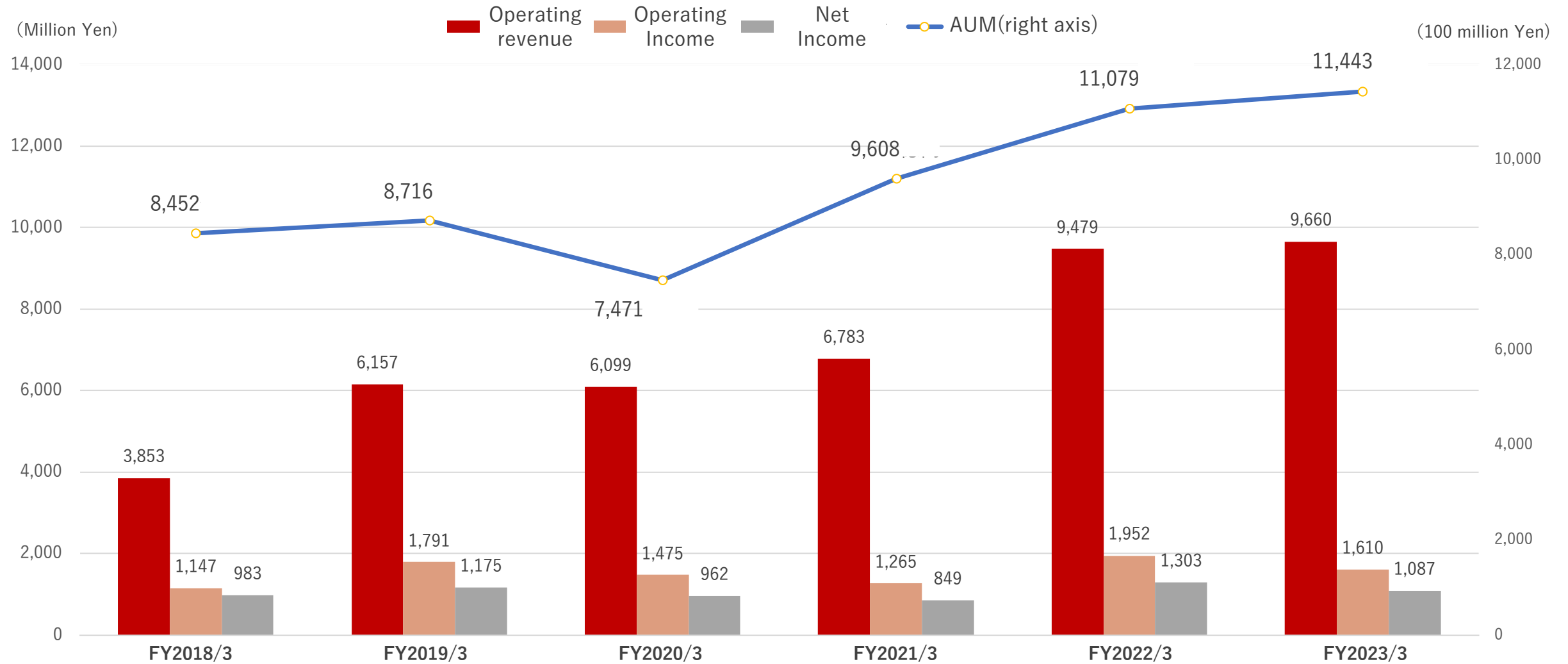
# Accelerating Shift from Savings to Investment

The shift from "saving to investing" will continue to steadily progress, as NISA is made permanent, investment limits are expanded, and the age for joining iDeCo is raised.



1. Source: "NISA Account opening/Usage Survey Results" Information Services Japan Securities Dealers Association as of March 31, 2023. Number and percentage of accounts as of December 31. The figures for 2023 are as of March 31.  
 2. Source: "Defined Contribution Pension Statistical Data (March 31, 2022)," Information Services Agent Liaison Meeting. Number of accumulated total participants as of March 31 of each year.

# Business Performance



1. From the fiscal year ended March 31, 2022 onward, the amount of net income attributable to shareholders of the parent company is shown.

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Financial Instruments Business Operator - issued by Director-General of Kanto Local Finance Bureau "Kinsho" No. 1151

Member Association : The Investment Trusts Association, Japan Investment Advisers Association